

STAT

ARTICLE APPEARED
ON PAGE 1APHILADELPHIA INQUIRER
25 December 1986

Casey memo reported on arms swap

WASHINGTON — CIA Director William J. Casey wrote a memo describing secret arms sales to Iran as a swap for hostages and detailing how the President would explain the deal if it became public, the New York Times reported yesterday.

The White House, however, said it could not find any trace of such a memo. "Our search has not turned up any such document," said Dale Petroskey, assistant White House press secretary.

Casey said President Reagan would describe the covert action as a political opening to Iran if the deal ever were disclosed publicly, the Times reported, citing a top government official who read the memo.

The official said the memo was written about a year ago, about the time the United States had begun selling arms to Iran. The Times said it could not be learned to whom the memo was addressed.

In the memo, Casey conceded that the scheme conflicted with the administration's avowed policy against terrorism but said Reagan was determined to rescue U.S. hostages held by pro-Iranian kidnappers in Lebanon. He depicted the deals as a flat trade of arms for hostages, the Times said.

The official paraphrased the memo by saying Casey described Reagan as "taking the attitude that we can retroactively explain [the dealings] as an opening to Iran."

Since the dealings were disclosed in November, Reagan repeatedly has said he did not swap arms for hostages and has described the secret sales to Iran as a diplomatic initiative to contact "moderates" in the Islamic government.

An administration official, who

asked not to be identified, said there were "literally thousands of documents in which many may express varying viewpoints."

"There's no doubt from our review of discussions with top policymakers that our objective was to find an opening to Iran," he said.

He speculated that the memo could have been written by Casey subordinates under his name. He added that White House counsel Peter Wallison, who is examining documents regarding the deals and the subsequent diversion of profits to the Nicaraguan rebels, had not found any such document.

"As always, there are some people who have their own agenda, and many times in government, memos are drafted by subordinates that are never approved at the top level," the official said.

CIA spokeswoman Kathy Pherson refused to comment on the Times report.

Rep. Dave McCurdy (D., Okla.), a member of the House Intelligence Committee, which has held hearings on the matter, said on CBS *Morning News* yesterday, "I've seen no memorandum purporting to be written by director Casey," adding, "It's news to most of us."

Yesterday, Reagan made his customary Christmas Eve telephone calls to U.S. troops in various parts of the world.

He called five active-duty men and women, thanking them for allowing Americans "to celebrate the holidays in freedom."

"What you are doing on behalf of your fellow countrymen is nothing short of heroic," Reagan said of the 2.1 million people in uniform. "I know it isn't easy to be away from

home and family right now, but believe me, they — and all the American people — are very proud of you.

"It's because of what you are doing that we are able to celebrate the holidays in freedom," Reagan added. "Please tell all the troops there that their commander in chief is grateful and wishes them every happiness. God bless you."

Reagan and his wife, Nancy, continued a holiday tradition of spending Christmas Eve at the home of U.S. Information Agency Director Charles Wick and his wife, Mary Jane, friends from their California

days. The guest list also included the family of Nancy Reagan's stepbrother, Richard Davis.

The Reagan children all were elsewhere for the holidays.

On Christmas Day, the Reagans planned to reciprocate by hosting a traditional holiday dinner for 18 at the White House. Guests include the Davises, the Wicks, the family of former presidential aide Michael K. Deaver and Nancy Reynolds, a friend of Nancy Reagan's.

Deaver, a close friend of the Reagans for more than 20 years, left the White House last year, but in recent weeks has become a behind-the-scenes adviser on the Iran arms controversy.

One of several Reagan intimates said to be recommending the resignation of White House chief of staff Donald T. Regan, Deaver has been under investigation by an independent counsel for his lobbying activities.

The Reagans are to head to California on Saturday and are to spend New Year's Day at the Palm Springs estate of publisher Walter Annenberg.